

Supplement to
INFORMATION LETTER
NATIONAL CANNERS ASSOCIATION

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N.C.A. Presentation before the Senate Committee on Agriculture in Opposition to Legislation Proposing To Authorize Marketing Orders on Canning Crops

The N.C.A.'s testimony of May 5 before the House Agriculture Committee, in which the Association requested that canning crops be exempted from the marketing order provisions of the Administration's farm bill, H.R. 6400, was reproduced in full in a Supplement to the INFORMATION LETTER of May 6.

On May 17, the N.C.A. testified before the Senate Agriculture Committee on S. 1643, a companion bill. The witnesses were identical with those

who appeared before the House Agriculture Committee and the oral presentations, charts, and official statement were, in practically all respects, the same as those presented on May 5. Included in this Supplement, therefore, are only the questions of the Senate Agriculture Committee members and the answers of the industry witnesses, except for such brief portions of the prepared statements as are necessary to give full meaning to the questions.

[Norman W. Merrill, vice president and general manager of Blue Lake Packers, Inc., Salem, Ore., was the first witness for the industry. Chairman Ellender of the Senate Agriculture Committee broke into Mr. Merrill's statement when he was discussing the growth of production of vegetables for canning, and the ensuing discussion took place.]

THE CHAIRMAN (Senator Allen J. Ellender (La.)). Has there been some increase in the processing of tomatoes by American companies outside the United States?

MR. MERRILL. There is some, sir, but just how much I do not know. There is some going on in Italy right now, and I have heard of some contemplated in Mexico.

SENATOR GEORGE D. AIKEN (Vt.) Yes. And are any of those products of those processing plants coming back to the United States as yet?

MR. MERRILL. I do not think from those particular plants. There has always been a certain amount of importation of a certain type of tomato from Italy for the eastern Italian trade, but it was business that was there—

THE CHAIRMAN. I think it is tomato paste, isn't it?

MR. MERRILL. Yes, sir, an Italian type of tomato, so called.

SENATOR AIKEN. I notice the tremendous increase in the growth of tomato processing in California. The report has come to me that they raise the tomatoes in California, squeeze the juice out, and send it to some of the older plants in the East for final processing, is that correct?

MR. MERRILL. Yes, sir. It is condensed into what we call a paste and is brought back here for final processing.

SENATOR AIKEN. And it is the low cost of production in California that makes that possible?

MR. MERRILL. Partly, but I think to a great extent the type of tomato that grows in California is of the acidity and sweetness and color that is desired over those grown in other sections.

SENATOR AIKEN. And that is due to weather conditions?

MR. MERRILL. Yes, sir.

THE CHAIRMAN. This is all irrigated land, I presume?

MR. MERRILL. All the tomatoes in California are grown on irrigated land.

THE CHAIRMAN. What is the average yield?

MR. MERRILL. I suspect—I am up in Oregon now, and I used to be in California, but I think the average yield is probably 12 to 14 tons per acre.

DR. HOWARD L. STIER (Director of the Division of Statistics, N.C.A.). It is higher than that. It is around 18.

MR. MERRILL. The average is 18?

DR. STIER. Yes.

SENATOR AIKEN. I used to sell them by the bushel instead of the ton. That is why I am doing a little arithmetic here.

MR. MERRILL. I used to be able to compute pecks but I have forgotten how many pecks there are in a bushel.

SENATOR AIKEN. That is easy, it is four.

THE CHAIRMAN. And it is all man-made country. Without the water there would be mostly desert.

SENATOR AIKEN. That is right.

* * *

SENATOR HERMAN E. TALMADGE (Ga.). Will you yield at that point?

I have looked at these maps and charts attached to your statement with interest, and much to my surprise I notice outside of the state of Florida there is very little canning going on in the Southeast. Why is that?

MR. MERRILL. What states would you include in the Southeast, sir?

SENATOR TALMADGE. From Texas through to the Potomac River.

MR. MERRILL. There is quite a lot of canning that goes on in Tennessee.

SENATOR TALMADGE. Yes, I notice that. There is some in Tennessee and some in Arkansas. I was particularly impressed with the states of North Carolina, South Carolina, Georgia, Alabama, Mississippi, and Louisiana. I see one green mark there in Louisiana.

MR. MERRILL. Unfortunately, I am not acquainted with the climate, but I suspect the climate and soil are probably the reasons.

THE CHAIRMAN. Too much rainfall.

SENATOR TALMADGE. Excuse me, go ahead.

THE CHAIRMAN. In the southern part of my state we can grow the finest kind of beans, but it is not certain, because the rainfall may come at the time you pick the beans.

MR. MERRILL. The first chart shows the increase from 1934 to 1958 of the proportion of deciduous fruits processed.

THE CHAIRMAN. You indicate that by percentage of what?

MR. MERRILL. Of the available tonnage, sir. In 1934-36, for instance, in the case of cherries, 64 percent of the available tonnage was processed. By 1956-58, 82 percent of the total production had gone to processing. In other words, the fresh market has receded and the processed market has increased.

THE CHAIRMAN. Well, the same thing prevails as to pears and peaches, but not in the same proportion.

MR. MERRILL. Not in the same proportion. We are just showing the percentages here.

DR. STIER. What has been processed.

THE CHAIRMAN. That percentage-wise it would seem to me, roughly, that the proportion canned of all of these, that is in contrast to the fresh product, has increased about the same except as to apples.

MR. MERRILL. We are showing the percentages here, Mr. Chairman, of the amount—

THE CHAIRMAN. The canned instead of that being eaten raw?

MR. MERRILL. Yes.

THE CHAIRMAN. That is what I am saying. Or take the peaches, 39 as against 51, and 64 against 82 for cherries.

MR. MERRILL. Yes, sir.

THE CHAIRMAN. There has been a decided increase, but the proportion seems to be the same, as I said, as to cherries, peaches and pears.

MR. MERRILL. That is correct, sir.

For vegetables, much the same picture is reflected in this chart. Note that in 1934 only about one-fifth of the snap beans were processed. Now almost two-thirds are processed.

THE CHAIRMAN. When you say processed, that is canning and not freezing?

MR. MERRILL. Both.

THE CHAIRMAN. Oh, both.

MR. MERRILL. I try to use the word "processed" in connection with these charts.

SENATOR AIKEN. That chart represents the degree to which a housewife has been liberated in the last 20 years, is that right?

THE CHAIRMAN. That may be the reason why the farmer's share in the market basket has decreased.

SENATOR AIKEN. And it is a different quality of food that they buy.

THE CHAIRMAN. At one time, not too long ago, the farmer received about 51 cents out of every dollar spent by the housewife. Today it is down to 38 cents. And that is due, I presume, to the processing that takes place. And of course the farmer has been squeezed in between there. He does not readily sell as much of the raw stuff from the farm as he did before, and as you indicated a while ago, you have housemaid service, you have the food put in the package, and it is all sold, a good deal of it is sold, by these chain stores where they give you a lot of parking facilities which the people pay for, and where they even give you music as you come into the stores and buy.

And all of that you pay for. And I presume that is what has caused some of the difference between the amount the farmer now gets in contrast to six or seven years ago.

MR. MERRILL. Senator Ellender, in that particular instance, we feel in connection with the items which I am talking about here, that that 38 percent represents more money to him today than 51 percent of the finished product did formerly.

THE CHAIRMAN. Why?

MR. MERRILL. Because, as I will show to you later—

THE CHAIRMAN. I would like to know how. I would like to see how.

MR. MERRILL. We can show that on the four major processing crops today we are paying the farmer more per ton for them than we were ten years ago. And not only that, but as a result of research and so forth, we have more tons per acre.

THE CHAIRMAN. That is because of volume, I suppose, and increased production?

MR. MERRILL. Yes, sir.

SENATOR AIKEN. I think the witness ought to be warned that the Chairman of this Committee still likes to cook and he would do just as well not to stress the use of ready-cooked foods too far. (Laughter)

MR. MERRILL. In this shift-over the most dramatic increase has taken place in citrus, particularly in oranges, where in 1934-36, only 7 percent were processed and in 1957-59 62 percent were processed.

THE CHAIRMAN. That is because of that new process of—

MR. MERRILL. Yes, sir.

THE CHAIRMAN. —taking the juice and most of the water out and adding it later? That has been in effect only a few years, hasn't it, just about three or four years?

MR. MERRILL. No, sir, it has been in effect a longer period of time than that.

DR. STIER. About 12 years. It started about 1950.

SENATOR AIKEN. That processing business, which has grown to enormous proportions, I well recall started when the citrus growers came to Washington seeking support prices, and, failing to get them, went home and developed one of the greatest industries in the world.

SENATOR MILTON R. YOUNG (N.D.). This process has been perfected, though, in the last three or four years. It was originally in effect 12 years ago, but it has been perfected more in the last three or four years.

THE CHAIRMAN. And generally used. That is what I thought. I never became acquainted with it, that is, in buying it from the stores, except in the last four or five years.

MR. MERRILL. I think its consumption has been accelerated in the last three or four years.

SENATOR YOUNG. The quality is much better now than it was five years ago.

MR. MERRILL. It has been improved. SENATOR AIKEN. And I understand there is a large export business, too, in citrus concentrate.

MR. MERRILL. Yes.

THE CHAIRMAN. Proceed, sir.

MR. MERRILL. Thank you, sir.

We feel every member of Congress should be interested in this next chart. It shows vividly that this vast expansion has been accomplished with the consumer's price of canned foods kept considerably below that of all foods. This performance has not cost the taxpayer a single cent.

You will recall that Secretary Freeman referred to the decline of farm prices, generally noting that prices received by farmers were now 12 percent below the 1947-49 average. In contrast to this over-all decline the four major canning vegetables—snap beans, corn, peas, and tomatoes—showed an increase in the price received by the grower from an average of \$57.57 a ton to \$60.27 a ton, or about 2½ percent in the period 1950-60.

THE CHAIRMAN. How about the cost of gathering these crops?

MR. MERRILL. The cost has gone up, of course.

THE CHAIRMAN. And you figure that in your—

MR. MERRILL. No sir, this is just the over-all. But the next sentence I want to get in here is that:

In addition to all this increased price per ton received by farmers, yields per acre for those three years have increased an average of 82 percent, which when coupled with the price increase, resulted in a 42 percent gain in the return per acre for these four major canning vegetables.

THE CHAIRMAN. You know, in some areas of the country the farmers who grow vegetables are usually taken advantage of. I have been a victim of it myself in the case of potatoes back in Louisiana. Monday night I spoke to a man to whom I am leasing my farm, and he has as fine a crop as I ever saw grown on my farm, and he cannot get \$200 for those potatoes. And for the same potatoes I go over here to the Giant Food Store and pay about 9 cents a pound. Now there is something wrong somewhere in the marketing, and that is what has given rise to a lot of this.

SENATOR AIKEN. One change has taken place in canning crops, when you are figuring on gross income and net income. Twenty years ago all the sweet corn was picked by hand. I do not know to what extent it is picked by hand now, but I know much of it is not touched by hand.

MR. MERRILL. In our case it is 100 percent by machine.

SENATOR AIKEN. By machine, yes. Twenty years ago it was, as I recall, 100 percent hand-picked.

THE CHAIRMAN. There has been a vast change there, there is no doubt, because of mechanization. There is no question that the farmer who produces these and contracts for them in advance is making more than in the past. There is no doubt about that.

MR. MERRILL. That is the point we want to emphasize, Senator Ellender. In the case of potatoes, you did not have a contract for them when you planted them. In the case of canning crops, except in rare instances, a grower has a contract before he even starts to break up his soil and prepare his seed bed.

THE CHAIRMAN. I do not suppose anyone would contract for potatoes in advance because of the fact potatoes are produced almost all over the country, except for the desert. I presume that is the reason. But in any event, I have noticed very carefully since I have been in Washington, having been very well acquainted with farming in my own state and having done some of it myself, the farmer is at a great disadvantage unless he is able to do what you say, as the farmers in California and other places do, they contract in advance for a certain amount for the crop he plants.

MR. MERRILL. Of course, that is the point we are emphasizing.

THE CHAIRMAN. I wish you could do that, that you could come down to Louisiana and do some of that. The crops will grow out there.

I have seen sweet potatoes down to 1 cent and a half and here they are 12½ cents. There is no reason for that, absolutely no reason. It would seem to me that they are pigs in the business and usually the fellows in the middle are the ones who make more as a group than the farmer who takes the risk of producing the commodity.

* * *

May I ask this question. To what extent do you contract for a farmer's crop, say fruit, where he has the trees that he cannot cut down, that he has to let grow and I presume treat them with insecticide and so forth? Do you contract for them in advance, as you do for vegetables, or do they simply take a chance?

MR. MERRILL. We contract annually. But of course we do not contract before a grove is planted. We do contract annually.

In our particular case we contract in January and February when we determine the tonnage that we can use in the next marketing year.

We contract for the total tonnage of a given acreage of fruit. And, I say, that is in our case.

In California, in the case of cling peaches, it is a different story. They have had a state marketing agree-

ment for many years, and they have a problem of overproduction. So the contracting has not been done until about virtually the time the crop is getting under way. But in general it is practice for the industry on the Pacific Coast to contract for tree fruits thirty days to a longer period of time prior to harvest.

THE CHAIRMAN. Prior to harvest. Well, sir, how is the price determined?

MR. MERRILL. The price may not be determined at that time. Generally we wait until we get closer to harvest to determine, first, how much the tonnage is liable to be. If it is a short tonnage, the price is up, and if not, it is down. And of course any surpluses we have carried over from the previous year are taken into consideration.

THE CHAIRMAN. Well, I do not suppose there is much advantage in your contracting with the farmer if there is a surplus.

MR. MERRILL. Except that the farmer is looking for an outlet for his tonnage, and we are looking for a source of tonnage in our production, in our merchandising program, which of course is developed months in advance.

THE CHAIRMAN. Well, let's say in the last four or five years, how has the price per ton of, let's say, apples and peaches or pears varied, or cherries, in the last four or five years? Do you know?

MR. MERRILL. I can tell you about cherries. I cannot tell you about the first three because I am not in that end of it.

But in the case of cherries, the price has been pretty stable for the last four years. In the case of purple plums, which are packed only in the Northwest, the price has been rather stable, at a \$50 to \$60 a ton average up to last year when we had a virtual failure and the price went to \$150 a ton.

THE CHAIRMAN. Well, I remember that under Title 32, Section 32, quite a bit of dried plums were purchased several years ago.

MR. MERRILL. Several years ago.

THE CHAIRMAN. That has not occurred recently.

MR. MERRILL. No.

* * *

THE CHAIRMAN. Now, Mr. Merrill, you, of course, realize that this bill does not fix any kind of program as such. Do you? In other words, all the bill does is to set guidelines, and I propose to add more guidelines, to give the farmer the opportunity of making a program. The bill in itself, if passed today, would not change anything, would not affect you at all, unless the farmers themselves through

representatives would desire to propose a program.

MR. MERRILL. That is correct, that is my understanding of the bill.

THE CHAIRMAN. Now there has been quite a lot of criticism about Congress giving up its legislative function and turning it over partly to the Executive. Now, as you know, the bill provides that any program that is worked out on a commodity basis is submitted by the Secretary of Agriculture to the President, and then back to the Secretary and to Congress in order for Congress to either take no action on it, in which case it will become the program, or if either the House or the Senate voted it out, why, that would be the end of it. And after it is submitted to the Congress, and the Congress does nothing about it, then it is submitted to the people, or the farmers, who produce that commodity for a vote. And if two-thirds of those who vote agree to the program, it then becomes operative. But otherwise, there is no change made, the law does not change anything. You understand that? Except it gives opportunity.

MR. MERRILL. It does give opportunity. That is our understanding of it, and I think our next witness will probably cover our thinking on that phase of it, Mr. Chairman.

THE CHAIRMAN. Now, this criticism I consider logical, probably, and there is a lot of merit to it. Would your views be in any manner tempered if Congress retained the power to amend up or down any program submitted to it that is worked out pursuant to the bill we are now considering?

MR. MERRILL. I am afraid any program, Senator, would stymie us, any up and down—

THE CHAIRMAN. You are against any program? And you are speaking of course for the canners?

MR. MERRILL. Yes, sir.

THE CHAIRMAN. Now, Senator (William) Proxmire (Wis.) was unable to be here today, and he suggested I ask you a few questions.

Is the National Canners Association opposed to farmers achieving more bargaining power?

MR. MERRILL. I cannot speak for the Association. I can speak for myself.

THE CHAIRMAN. Who represents the Association here? You have submitted a statement—

MR. MERRILL. Not on the subject of bargaining power.

THE CHAIRMAN. Your answer is, you do not know?

MR. MERRILL. I cannot speak for the Association on that score. I can tell you personally I would not be opposed, and I do not know of any other canners being opposed. We are just talking about bargaining now, and we are not talking about—

THE CHAIRMAN. I understand.

MR. H. THOMAS AUSTERN, Chief Counsel, N.C.A. Is that question, Senator, bargaining or control in the industry?

THE CHAIRMAN. Well, this is Senator Proxmire speaking, not the Chairman, and he asked me to ask these questions. The question is: Is the National Canners Association opposed to farmers achieving more bargaining power?

MR. AUSTERN. As far as I know, the answer is no. But the difference here is between bargaining and control.

THE CHAIRMAN. If not, what is your program for more bargaining power for farmers?

MR. MERRILL. We have no program.

THE CHAIRMAN. Is your organization opposed to authority for allowing canners to cooperate with producers in joint programs beneficial to both?

MR. AUSTERN. No. That is provided in the present law. That is what is called a marketing agreement as distinguished from a mandatory control in which the canner has no voice.

THE CHAIRMAN. Are you opposed to a program of group action among farmers which would curtail your opportunities for a profit on buying operations?

MR. AUSTERN. That is provided in the Capper-Volstead Act, sir, and to that extent, of course, the industry has no objection.

THE CHAIRMAN. The statement says—the statement that was presented here says—that marketing orders would eliminate the beneficial aspects of competition. Does this mean the kind of competition among farmers existing now?

MR. AUSTERN. If that refers to the competition in the sale of canned products, it is perfectly clear that if you curtail the supply of the raw material, if you permit other people to control what any grower may sell or what any canner may purchase, you will clearly interfere with the competitive process and production and sale of canned foods, and you attempt to raise the price and destroy this performance record that we have demonstrated.

THE CHAIRMAN. Further, do you also mean the kind of competition among processors existing now, or do you mean the kind of competition existing between multi-million dollar corporations and individual farmers?

MR. AUSTERN. Well that is a double question, and it is a very long one to answer, but quite clearly, as the first witness, Mr. Merrill, pointed out, no producer is required to contract in advance. He decides that for himself. And as the statement demonstrated, they have done very well.

As to competition among the canners, there is no industry, Mr. Chair-

man, in which the competition is more rugged, as is perhaps demonstrated by those consumer prices so far below the average of all food prices. That is competition in action, and that chart demonstrates it.

THE CHAIRMAN. You state it is unreasonable and undemocratic to permit growers' committees to have control over canners' operations. Yet, at the same time you want to retain canners' authority for considerable control over farming operations. Why does this double standard of values exist? What farmers as a group, in search of their own private profit opportunities, want to do is their own business.

MR. EDWIN C. KRAUS (president, Big Stone Canning Co., Ortonville, Minn.) I think that is contained in my statement, sir. As has been pointed out, we have no objection to sitting down and negotiating, but we do object to a situation in which we have absolutely no say, no control at all as to the amount that we are going to process, the grade we are going to have or anything.

We have a problem, too. We have what is known as overhead. And unless we can enough to cover that overhead we are in trouble.

To have growers who know nothing about the marketing condition control our business we do not think is economically sound. In the second place, for example in corn, we roughly add five to six times the value of the raw product to put it into the can before it is sold. We think we ought to have something to say about how much we pack because we pay the bill, we carry the inventory, and we are the ones who are in competition.

In our own particular situation, I am from a small company, and we are not a million-dollar company by any means. We compete on growers' contracts with four other canning plants.

THE CHAIRMAN. All right. Now, here are a few questions from Senator Proxmire addressed to Mr. Merrill:

Is your organization a farmers' cooperative?

MR. MERRILL. Yes, sir.

THE CHAIRMAN. Do you believe cooperatives are a way for farmers to gain more bargaining power?

MR. MERRILL. I think a farmer cooperative is a way for farmers to vertically integrate, to have another tool between the farm and the market place. Whether or not bargaining power would come into this or not I do not think I am quite able to state. There is a difference between cooperatives which are organized for bargaining and cooperatives which are organized to market the product of the farms.

THE CHAIRMAN. Well, when you say you are a cooperative, you do not mean that the farmers who produce belong to that cooperative, do you?

MR. MERRILL. The farmers who produce our products own our com-

pany. We are a marketing cooperative, yes, sir.

THE CHAIRMAN. I see. And do you make any agreements with them to produce so much of the various vegetables, the same as you would—

MR. MERRILL. Just as if we were an individual privately-owned corporation.

THE CHAIRMAN. And do you make contracts with farmers who are not members of your cooperative?

MR. MERRILL. Yes.

THE CHAIRMAN. Conflict involved in supporting cooperatives for farmers and supporting canners' position. Can you elaborate on that?

MR. MERRILL. I do not believe I quite understand the question, Senator.

THE CHAIRMAN. Well, I am reading it as he wrote it. Is there conflict involved in supporting cooperatives for farmers and supporting canners' position?

MR. MERRILL. If I interpret it properly, I would say there is no more conflict than ordinary competition that exists in business life.

THE CHAIRMAN. Well the statement recognizes conflict of interest between growers and canners. Whom do you represent, growers or canners?

MR. MERRILL. I represent both, sir.

THE CHAIRMAN. All right. Any further questions?

SENATOR MUNDT. I have a question.

THE CHAIRMAN. All right, Senator Mundt.

SENATOR YOUNG. Mr. Chairman, may I ask this question while we are waiting?

Are any profits you make as a marketing cooperative passed on to the producers?

MR. MERRILL. In its entirety, yes, sir.

* * *

SENATOR KARL E. MUNDT (S. D.) I came in after most of your statement had been made, but I gather from what I deduced from questions and answers I have listened to that you gentlemen would not be necessarily opposed to this legislation to the degree that you are if it contained an amendment restoring a right which most of us have assumed no one would be brazen enough to try to take away from Congress, and that is the right to vote and amend. If this legislation were amended so that the procedures went on much as I indicated except that Congress would then have the responsibility which the Constitution provides, to vote, which means, of course, not to vote yes or no, but to amend and to approve affirmatively, would that immediately relieve in any way your opposition?

MR. MERRILL. Senator, our feeling is based on what we have done over many years. There is no need for changing the exemption of fruits and vegetables for canning.

SENATOR MUNDT. That is, under any kind of bill you would want fruits and vegetables exempt?

MR. MERRILL. The continuation of what it has been ever since 1933.

SENATOR MUNDT. Do the producers of the vegetables and the fruits agree with you? Is that the position reflected solely by the processors?

MR. MERRILL. In my opening statement I also said that I represent ten marketing cooperatives in the Pacific Northwest with a membership of about 4,300 farm families, and I am instructed and authorized to say for the boards of directors of those ten marketing co-ops, of which mine is one, that they are opposed to any regimentation which would affect processed fruits and vegetables.

SENATOR MUNDT. In other words, you take about the same position as the livestock people, or the commodities who want to experiment with this type of thing, so be it, just as long as they include you out? Is that right?

MR. MERRILL. We do not object to the other people and their problems being covered by this.

SENATOR MUNDT. Let me ask your companions whether they share that point of view or whether they have a different situation.

MR. MERRILL. I think they share my point of view.

MR. KRAUS. Yes, we share Mr. Merrill's point of view that we want out from under any form of control.

And in answer to your other question, I doubt very seriously that any producer who understands what this bill can do would be for it. Because after all, it does under some provisions here make it possible for the Secretary of Agriculture to tell them how much they are going to grow, and what they are going to sell it, and put fines on them in case of violation.

SENATOR MUNDT. Do you care to answer that question?

MR. AUSTERN. I think Mr. Kraus has stated the point. We do not know, Senator, whether the producers of canning commodities, of which we are speaking here, really know the scope of this legislation and what can be done under it, whether if those growers knew that this can impose producer allotments and make the farmer a handler, and subject the farmer to forfeitures and to penalties, and in addition that a producer allotment can control what he can sell to every processor, whether if they knew of these features, and knew of the national control order, whereby one state or two states might impose controls on all the other states, no one knows

whether the producers would be for that kind of a blanket authority.

* * *

THE CHAIRMAN. I wanted to make plain about the submission of anything to Congress that under the Act as now drafted a local order would not have to come to Congress unless quotas are imposed.

MR. KRAUS. That is right.

THE CHAIRMAN. We have two ways of going here under two separate sections, where the quota provisions are provided, and then in that case there is usually a termination date for these orders when the quotas become effective. But in the case of orders, as I understand, once enacted or once promulgated, they become more or less permanent unless the producers are able to come together and demand changes in those orders.

MR. AUSTERN. In the case of the national order, Mr. Chairman, as we read the bill, there is no termination authority.

THE CHAIRMAN. That is right. That is where there are no quotas.

MR. AUSTERN. With or without quotas as we read it.

THE CHAIRMAN. Well now, that is one criticism that has been lodged by many of the opponents of this bill, and it is entirely possible that if the bill is reported at all to Congress, that we may have to put terminating dates in the orders. Because, as I pointed out on several occasions before this Committee, it is entirely possible that after an order is promulgated even the producers would not have opportunity to make the change as long as the Secretary of Agriculture administered the order within the confines of the order itself. Of course, if he goes beyond that, why, he would have to come back to the farmers to get a new order under the law. But as long as he is within the rules and regulations that are promulgated with the order, why, he is the boss.

MR. AUSTERN. That might be a desirable change, Mr. Chairman, but it is collateral to the basic position of the canning industry because the cannery have no vote on whether it goes in and no vote on whether it is terminated.

THE CHAIRMAN. Well, as I understand you three gentlemen, I do not suppose this Committee or Congress could do anything to get you on our side?

MR. KRAUS. Yes, you could take us out.

THE CHAIRMAN. That is right, take you out, sure.

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[In his prepared testimony Mr. Kraus gave examples of the restrictions that might be imposed on the canner by a marketing order. Senator Mundt questioned him, as follows, on one of these examples and later opened up an inquiry into the Congressional veto aspects of the legislation.]

SENATOR MUNDT. Will you explain that third one? I do not quite get that one.

MR. KRAUS. The canner may be restricted in the amount, the grade and quality that may be shipped frozen or shipped to the fresh market.

SENATOR MUNDT. By selling out his supply or by some regulation on the canner. That would have to be on the supply, wouldn't it?

MR. KRAUS. By cutting out our supplies.

THE CHAIRMAN. Putting you on a quota basis.

MR. KRAUS. By putting us on a quota basis, that is right. Plus this—there is also one other thing in there—quality of the raw product many times determines what you are going to do with it, and even the size of can that you are going to use, or the market that you are going to sell in.

* * *

SENATOR MUNDT. Do you mind an interruption at this point?

If I understand what you have just said, you have touched on a new totalitarian authority in this bill for the Secretary which I did not think was there, and I am not sure it is there yet, and I am not sure I understood you properly. But if I did, you said if we passed this bill the Secretary, without a hearing, on his own, could issue a marketing order, and we would have no veto, or no vote, and even the cannery or the producers would have no veto or vote, if I understood that properly.

THE CHAIRMAN. You would have to have a hearing, Mr. Kraus.

MR. KRAUS. I will ask Mr. Austern to respond to that.

THE CHAIRMAN. Or come to Congress.

SENATOR MUNDT. I may have misunderstood you, but that is what I thought you said.

MR. AUSTERN. This is not the simplest legislation, and with your permission, Mr. Chairman, I would like to state our understanding of it after the closest study.

This bill fundamentally makes three big changes in the basic law. The first and most important change, from our point of view, is the change that is made in the present law about marketing orders, which we will call the regional orders, which, incidentally,

never have worked and probably won't. Now under that change, every canning commodity, that is, the raw material, can be put under an order. And that is what I will call the old style marketing order in the present law. In that situation, there is a marketing agreement proposed, and there is a hearing, and there are findings made, and then the only approval of that is a producer referendum. The canner has no vote.

The second big change made by this bill is the addition of a new section 8f, which you will find on page 10, beginning on line 21. That provides that in any marketing order, regional or national or any kind, you can have a brand new kind of authority, and that is the producer allotment. That makes the marketing order read on the grower, and can give every grower an allotment, and then that goes into the marketing order and that, likewise, under Section (4) of 8f becomes binding on the canner. So under that new change which permits the producer allotment, you have the producer dragged in. And that is a whole new authority under any marketing order.

The third big change, as contained in Section 8g, which you will find on page 14, to which Mr. Kraus has referred, provides for a national marketing order. Now, if you have a national marketing order, all of the fiction of the marketing agreement disappears. You do not have to have any agreement, you do not have to have any hearings, you do not have to have any findings. There are only two things that you have to have. One is a statement of what is proposed to be done sent to Congress. It is called a basic statement. I cannot tell you from the bill whether it comes to Congress before or after a referendum. And secondly, there is a national producer referendum, and as the witness will point out, that might mean that one or two states could approve the national program. Now, if you have a national marketing order under the authority of this bill, Mr. Chairman and members of the Committee, if you will read on page 14, lines 3 through 5, you will find the language that says that none of the paraphernalia of a pre-existing agreement or a hearing or findings or anything else is applicable to that national marketing order. It is very intricate language. I will be delighted, if the Committee cares, to spell it out.

SENATOR MUNDT. What it knocks out then, apparently, from your testimony, is this hearing procedure which applies to localized marketing orders.

MR. AUSTERN. It knocks out everything. The only thing it retains is the producer referendum.

THE CHAIRMAN. But, as you say, it comes to Congress.

MR. AUSTERN. What comes to Congress, Mr. Chairman?

THE CHAIRMAN. The order.

MR. AUSTERN. I do not read it that way. If you will forgive me—

THE CHAIRMAN. What I mean is, it is a program.

MR. AUSTERN. The bill provides that merely a basic statement of what is proposed will be sent.

THE CHAIRMAN. What would be included in the statement?

MR. AUSTERN. I am sure I do not know. Presumably, the order would.

THE CHAIRMAN. Of course it would. It is a program that would be worked out through the Advisory Committee, and then submitted to the Secretary of Agriculture, who has the opportunity of taking it or leaving it or amending it. Then it goes to the President and from there it comes to Congress.

MR. AUSTERN. May I deal with that, sir, in three ways? One, whatever is to go to Congress, the canner does not have to see or talk about or vote on. That is the essence of our objection about this not being democratic. In the second place—

THE CHAIRMAN. Well, of course, the same thing occurs with reference to corn producers. The feeders of cattle—

MR. AUSTERN. Our point is this is a different situation.

THE CHAIRMAN. It is the same thing, though.

MR. AUSTERN. The second point is that what goes to Congress, and assuming it includes the basic order in the statement, Congress must either take it or leave it. Congress cannot modify it as the bill now stands. You may change that.

THE CHAIRMAN. Well, as I said, and Senator Mundt suggested, on many occasions during these hearings, in order to make the bill more palatable it may be necessary to have the Congress, or give the Congress authority, not only to vote it up or down, but add or subtract from the order.

SENATOR MUNDT. If that were done, then the canners would have representation because you would—

MR. AUSTERN. We would not have a vote, sir.

SENATOR MUNDT. Yes, but you would have as much representation in Congress as any other citizen. You have a right to come and be heard. At that stage you are re-enfranchised.

THE CHAIRMAN. You say the canners would not be given an opportunity to do anything, it would all be done by the Secretary through the producers.

Now, if you look at page 14, under (3) beginning with line 20:

"If the Secretary determines that there is reason to believe that the proposed marketing order may tend to effectuate the declared policy of this Act, he shall afford interested persons an opportunity to submit

data, views, and arguments with respect thereto."

Wouldn't that include you?

MR. AUSTERN. That would give us the opportunity to write a letter and no more.

THE CHAIRMAN. Oh, well—

SENATOR MUNDT. It does not say a hearing. I think you are right about that.

THE CHAIRMAN. What?

SENATOR MUNDT. It does not say a hearing. It just says they can write a letter, they can submit data, views and argument. However, it does not refer to a hearing.

MR. AUSTERN. Mr. Chairman, may I refer to the third point that you make because we perhaps should mention that?

There is reference here to approval by the President. You will recall, Mr. Chairman, that when originally proposed in 1934 the Act, then misnamed Agricultural Marketing Agreement Act, which first contained these orders, provided at that time, for approval by the President. Some years later in Reorganization Plan No. 4 the approval of the President was delegated right back to the Secretary of Agriculture. And without burdening the Committee with that point, I wonder whether you would care to have Chapter IV of the United States Code which provides that any authority which the President has he in turn may delegate to anyone?

Even assuming that he might be prevailed upon to overrule his own Secretary of Agriculture, that provision about the approval of the President, both legally and constitutionally, does not seem to be important because it can be delegated right back.

If you would care to have me file these statutory references, I would be glad to do so.

THE CHAIRMAN. We have them.

MR. AUSTERN. You have them. Thank you, sir.

SENATOR MUNDT. I appreciate the fact that the authors have extended the courtesy to the office of the President to say that he has to act affirmatively. They did not show such a courtesy to the Congress. They simply said upon Congress failing to act it still becomes a law.

MR. AUSTERN. Our answer to that, Senator, is that, as has been suggested by the Chairman and members of this Committee, once something gets back to Congress, the canning industry is not disenfranchised. If that is the situation, it is our position that if a rigid regimented marketing control is necessary for any canning crop, and we have demonstrated it is not, and Congress is to look into that problem, then we think that perhaps Congress ought to look into it with specific legislation before it and not give this blank check. Because we are afraid we will be behind the parade if you give them a blank check.

SENATOR MUNDT. My point is that if you go through this procedure of setting up your marketing orders and so forth, and it comes to Congress, then we have a hearing such as we have here now, and it is entirely possible that the producers, acting with the very best of intentions, may not understand some of the problems that the canners have and that they would put into this marketing apparatus something which would rob you out of business and deprive them of a market.

They would not want that, and they would not do it intentionally, but it is done by error. And so if they come here and we are confronted with the problem of voting yes or voting no, or modifying it, you were right back there with the ballot in the end and the constitutional power to petition, and you are knocking on the door of the Chairman. And the Chairman is a friendly fellow from the South, and he says, "Come in."

So you sit down and talk to us about the problem. You say, "Now change this little thing, and we can have something we can live with, something we can work with." That is why I think it is just ridiculous to try to eliminate Congress from the picture. Because maybe we can save the producer and save the canner at that juncture, which you could not do otherwise, and at least give you and every other citizen his right to come to Congress and be heard and to attend the hearings and make your suggestions.

And you have your vote back.

MR. AUSTERN. The difference is, sir, instead of coming to Congress as citizens to present the facts respecting whether Congress should or should not act, substantially we would be coming to members of this Committee, and to members perhaps of the House Committee, as people who are objectors, people who are opposing something that has this terrific momentum, a momentum that is being authorized by this bill.

We have no objection at any time, as this Committee well knows, if any problem arises in which Congress expresses interest relating to the great canning operation in the United States, to coming to this Committee to give you the facts. We have perfect confidence in the action of Congress on any problem.

But to put us at the tail end of the parade and to require us to come here as people who are hanging on doors, as I think was said, to object to something unwise, is we think undemocratic.

SENATOR MUNDT. But we have not yet decided surgically at what point we are going to decapitate Congress. We may cut it off at the jugular vein, we may cut it off at the back line, or at the ears. It is entirely possible that we are not going to commit congressional suicide at all.

But until we do that, we do not know where this consideration by Congress would occur, whether it will occur after the referendum, whereupon I presume under the concept and theory of the bill, if you make an amendment it has to be referred back, or whether it is before the referendum so that there is a complete package on which to vote.

So I am not sure, and won't be until we find out how the bill is written, whether this momentum argument would carry any weight or not. Because if your day in court comes before the referendum, then this would not be this tremendous momentum you talk about, this would simply be your Advisory Committees, which have a lot of appeal to me—this basic concept on which we develop this basic legislation.

Assuming for example, that the steps go as far as, and I do not know how they are going to go: You have the Advisory Committee, and they meet with the Secretary of Agriculture. They determine among themselves the final proposal that they want to submit in a referendum.

If it is at that juncture that Congress says, "Good, we accept this if the referendum is two-thirds." Or we say, "No," or we say, "If we are going to take it, if the referendum is two-thirds, you have to change paragraph (a)," then they have a final decision to vote on the referendum.

Now, maybe we will decide to let the referendum occur first, and then Congress look at the finished package, and give us the right to amend the proposal. But if we do that, of course, in a way that is going to reduce the determinable factor that the farmer is going to have in this bill, which personally I would like to have the farmer have, subject only to the restoration of the franchise of the Congress.

MR. KRAUS. Of course, Senator, to begin with there are no canners on any Advisory Committee, even though it is dealing with our business. There is no canner.

SENATOR MUNDT. They do provide, I think, they could invite you in. But you may not have any vested right.

MR. KRAUS. That may be true. I am not sure.

SENATOR MUNDT. I believe, Mr. Chairman, that they can be called in as part of the advisory group.

THE CHAIRMAN. From the section I just read, but as he said, it is not a hearing. They can give advice by letter, or probably the Secretary would be interested enough to maybe say, "Come around, let's see how it will affect you."

Now, I want to give assurance that this bill is in no manner perfect, you understand. And the purpose of this Committee is to try to do something to increase the income of the farmer. And here I have the record to show

that out of the total national product of over \$500 billion, the farmer, upon whom you depend, upon whom every citizen depends for a livelihood, for food and fiber, gets out of that, the net income realized for 1960 was \$11 billion 649 million. It is just a pittance.

Yet, put the farmer out of business and what would happen to your canning industry? And it strikes me that I would appreciate more than I could say from people who come here and just try to tear the bill up per se, "Well, let's improve it this way," and not just take a negative attitude, "We do not want to be under it." And it strikes me we could get along much better that way.

Now the Lord only knows I do not want to vote for any kind of bill that will regiment or that will put you or anyone out of business. What we are trying to do here is to devise some ways and means to increase the income of the farmer. That is all. And if you will give us some ideas as to how to do that, we will appreciate it.

MR. KRAUS. Senator, we thought we had the idea many years ago with contract farming for this type of farming where we have contracted as far as a year in advance, and where we tell the grower what he is going to get—

THE CHAIRMAN. Well, if you have satisfied farmers, they are not going to propose any changes. I can assure you of that. Because this bill, as I pointed out, does not write up any program, it simply provides the tool by which and through which farmers can submit programs, and then it goes through the gamut we have been talking about here, the Advisory Committee, the Secretary of Agriculture, the President, the Congress, and then back to the growers. Now that may be regimentation. And all of that you mention about Russia there—you or someone else did—I have been all over Russia and I can tell you our people are living in paradise compared to what you find in Russia.

MR. KRAUS. I believe so. And we want to keep it that way, sir.

THE CHAIRMAN. That is right. But if we do not provide ways and means by which those who give you a living, those who provide the food and fiber of our livelihood, can exist, make a fair living, why, I do not know what is going to happen to the country.

SENATOR MUNDT. I think you missed the point on Russia. I thought it was a pretty telling point. He did not say this was a communist bill—

THE CHAIRMAN. No, but he mentioned Russia.

SENATOR MUNDT. That is right. He said in Russia, when they regiment them and the regimentation collapses, as regimentation always does, the government paid the cost. But in this country, under this concept, when the

regimentation collapses the farmer and the canner pay the cost. Uncle Sam is not going to pick up the check.

THE CHAIRMAN. In Russia, as I am sure Mr. Kraus knows, and also Mr. Austerl, the government owns everything, they own all the land. A citizen cannot own a square inch of land in any part of Russia. You have only two kinds of farming, the collective and the state, in which the government owns all of the land.

SENATOR MUNDT. If they have a bad farm program, the government gets stuck. That is his point.

MR. KRAUS. That is my point.

THE CHAIRMAN. No, they do not. Just a minute.

SENATOR MUNDT. I think that was his point.

THE CHAIRMAN. In the case of collectives, a partnership is formed by as many as 15 to 2,000 families, and they work together. And when Krushchev came into power, I was there in 1955 and talked to many members, the farmers who were working on these collectives were deep down in debt. Because they obtain money from the government and could not make enough to repay, don't you see.

But the point that I want to emphasize is that in Russia everything is government. You cannot be a bootblack there unless you join a cooperative. You cannot be a barber unless you join a cooperative. So when you mention anything about Russia, in this regimentation, why, it just galls me a little bit. Or, even insinuate it.

* * *

As you have just stated, though, you operate on a large scale, in states like California, and for fruit in Florida, and that is only two states. Now when you come to a commodity like snap beans, again you are relegated to about how many states, five or six?

MR. KRAUS. It would be my guess the Northwest, probably Wisconsin, and probably Florida would control it.

THE CHAIRMAN. I wonder if you could put in the record for us—you say the farmers are well paid, they do very well. Let's take this year, for example, in the canning of tomatoes. How much did the farmer receive for a ton of tomatoes?

MR. MERRILL. Last year or this year?

THE CHAIRMAN. Any accurate data you have.

MR. AUSTERN. On the point about one or two states controlling the referendum in the national marketing order, you will find, Mr. Chairman, that on the back of each of the maps submitted with our statement, we have

included the actual numbers and the ratios and the percentages on which the chart is based, and that data comes from the U. S. Department of Agriculture.

THE CHAIRMAN. Well, have you any data to indicate how much a farmer gets on a can of tomatoes, let's say, that sells for 15-25 cents, whatever the price is?

MR. KRAUS. You want it broken down, sir?

THE CHAIRMAN. No, how much does he get? Because he is the one you are trying to protect, and you say you are protecting him.

MR. AUSTERN. We will endeavor to supply a memorandum on that.

THE CHAIRMAN. What I am talking about is, I wonder if you would be good enough to give us a statement for the record, and I am not doing it because I disbelieve what you said about helping the farmer out, because I am sure that under these contracts you do it, but you no doubt look to yourself and you would not be human if you did not—

MR. KRAUS. That is right.

THE CHAIRMAN. I wonder if we could have a little statement showing, let's say, on a can of peaches, a can of pears, a can of tomatoes, a can of cherries and so forth, about how much a farmer gets for the raw product that is in that?

MR. MERRILL. Senator, may I answer this question on snap beans, which I think I know something about? On a can of 303 snap beans a grower gets about 5 cents for the contents of the can.

THE CHAIRMAN. Five cents. How much does the consumer pay for it?

MR. MERRILL. I would say that an average price, nationwide, and of course we would go from the bottom to the top—I would say 17.5 cents.

THE CHAIRMAN. Seventeen and a half?

MR. MERRILL. Yes, sir.

SENATOR MUNDT. If the raw producer gets a third of the retail price in the canning industry he is doing pretty well.

SENATOR B. EVERETT JORDAN (N.C.). Mr. Chairman, I would like you to also put in there how much the canner gets out of this.

THE CHAIRMAN. Well, the statement has been made here that the farmers are taken care of through these contracts, and I would like information as to this on about ten commodities.

SENATOR MUNDT. If you give the wheat farmer a third of the price of a loaf of bread, he would do pretty well out in the state of North Dakota.

THE CHAIRMAN. If you take maybe ten commodities, and mix them as to fruits and vegetables, and take typical commodities, and indicate what the farmer gets. I know in the shirt that

I am wearing here, and it is a cotton shirt that I paid \$4.50 for, and the farmer got the nominal sum about 27 cents.

SENATOR MUNDT. Precisely. That is why I was surprised when they said the farmer gets a third.

THE CHAIRMAN. The thing is, I do not know how we could attack the problem. With the abundance we have now, with food all around, the farmer is getting less and less, and yet the consumer has been paying more and more for the stuff. That is something I cannot understand. And we certainly do not want to get into price fixing.

MR. KRAUS. Senator, may I answer part of your question?

THE CHAIRMAN. Surely.

MR. KRAUS. For example in corn, I would say on each can of corn the farmer gets somewhere between 5 and 6 cents. That is on the raw product.

THE CHAIRMAN. How many ears of corn does it take to go into a can?

MR. KRAUS. There are about 2 ounces of corn to an ear, so there is a little over five ears.

THE CHAIRMAN. Five ears of corn. He gets about one penny an ear.

SENATOR MUNDT. Well, it makes a difference as to the size of the ear, Mr. Chairman.

THE CHAIRMAN. Well, I am sure they do not can the corn we feed the horses and mules. They have a perishable kind of sweet corn that they can. But the farmer gets one penny an ear. And of course for the raw product I go over here to the Giant and pay. I think it is about—

MR. KRAUS. Nearly 20 cents for fancy corn.

THE CHAIRMAN. Twenty cents an ear. And when you get it in the frozen state it costs I think, it averages about 19 or 20 cents per ear.

MR. KRAUS. We are talking, sir, about canned corn, not corn that is shipped up here frozen and so forth.

But along with this cost that we are talking about, of course one of the great costs that we have is the container which runs approximately 80 cents (per case of 24). Then you have these other items of services.

THE CHAIRMAN. I understand all of that. What astounds me is to go to these stores and compare the prices that the farmers get with what the consumers pay. Now it strikes me, as I said before, there are too many pigs in the business. If it were possible to let the farmers have a little more, we would not need any legislation.

MR. KRAUS. Senator, in answer to your question, maybe I can put it this way. In 1918, and I checked our records, we sold cream style corn for \$4 a case f.o.b. plant. I will sell you all that you want today for \$3.30.

THE CHAIRMAN. That is because of the improvement in production and

improvement in your canning operations, and then you do not have as much spoilage and I guess you get a better quality.

MR. KRAUS. Yes, I think all of that is true. But the consumer, likewise, is buying it cheaper.

THE CHAIRMAN. I understand that, and there is no doubt about it, that the consumer, the man who buys that, is able to use a lesser percentage of his salary than in the past.

MR. KRAUS. This is the housewife. In plain dollars and cents Mrs. Housewife is paying less for corn, canned corn, canned peas, tomatoes, than she did a number of years ago.

THE CHAIRMAN. Well, you see, as I pointed out, with a GNP of over \$500 billion, if the mind can conceive what that is, the farmer got \$11,649,000, whereas the non-agricultural income was \$369,641,000. And yet without the farmer being in the picture this great production would not take place. And yet he is at the tail end of the train when it comes to income.

MR. KRAUS. May I say one thing here? May we have permission to file this information that you request?

THE CHAIRMAN. Surely.

MR. KRAUS. All right.

THE CHAIRMAN. Do not take the best, you know, take the typical.

MR. KRAUS. We will take the average, sir.

THE CHAIRMAN. We have a lot of information on textiles and things like that and we would like to have that information on, say, 10 or 15, half and half between fruits and vegetables, if you will.

SENATOR MUNDT. I think this is fine. And what we are trying to get from that, as I understand it, Mr. Chairman, is a realization of how well or how poorly the farmer is doing himself who is engaged in producing the material these folks are canning. Now it seems perhaps more realistic, than just what percentage of a can of corn goes to the farmer, if you have any statistics you could supply to show any parity relationship between the price that he gets. The parity relationship. Do you have that? Could you give us that?

MR. KRAUS. That was in Mr. Merrill's statement.

MR. MERRILL. No.

MR. KRAUS. Well, not all of it. We can give you some more.

SENATOR MUNDT. Because your canning operation at least is close enough to South Dakota so I know the kind of farming that goes around it, that people can raise corn for hogs, or they can raise corn for you, or they can raise wheat, or raise sweet peas, or green beans, or snap beans, or whatever they raise. And it seems to me if they are raising things for the cannery, they must be doing better financially by doing that than they would be raising things for the stockyards.

MR. KRAUS. I think that is true.

SENATOR MUNDT. If you can show us this parity relationship, we can tell whether the vegetable farmer is doing better, for example, than the potato farmer or the corn farmer.

THE CHAIRMAN. Yes. With our great farmer industry, why, in areas like California, where you can pull a string and get the water you want, you are not bothered with storms that may occur during production, and in the Imperial Valley—

SENATOR MUNDT. The trouble is in California the smog is so thick you cannot find the vegetables after you plant them. Every place has its handicaps. (Laughter)

THE CHAIRMAN. The point is, if we could take those areas as an example, why, I guess we would be out of court. But we are speaking generally now of the 50 states of this Union.

SENATOR MUNDT. Diversified farming areas.

...

(Following is the text of the N.C.A. letter which was subsequently submitted for the record in response to Senator Ellender's request:)

Dear Chairman Ellender:

In the course of the testimony presented to your Committee on behalf of the canning industry on May 17, you and members of the Committee requested information as to the farmer's return for representative fruit and vegetable commodities sold for canning (processing), the parity relationship between these commodities and other crops, and "what the canner gets out of this".

As you will recall, a major argument in our presentation against the inclusion of fruits and vegetables for canning in Title I of S. 1643, is the fact that canning crops have provided the farmer with relatively high returns in comparison with other crops. Over the years the price received for canning crops has averaged a higher percentage of parity without any subsidies, support prices, marketing orders, etc., than have the prices for other major farm commodities. We pointed out that the canner-grower program of contracting in advance was the principal reason for this favorable relationship.

However, to specifically answer the questions of the Committee, there is enclosed statistical information from U. S. Department of Agriculture sources (Exhibit A) that compares what the farmer received in 1960 with 1934 for the major vegetables sold for processing. In addition to the price per ton received by the grower, this tabulation also shows the gross

return per acre, thus taking into account the tremendous increases in yield that have occurred for certain canning crops during this period.

Also enclosed is a table (Exhibit B) showing the 1960 season average prices in dollars and as a percent of parity for fruits and vegetables for processing, compared with the same figures for the major farm commodities, including potatoes. The Committee will note that the commodities for processing have consistently shown the higher parity ratio. This relationship is true not only for 1960, but has been the consistent pattern year after year. Since 1950 the prices received by farmers for the seven farm commodities that compete with canning crops have averaged 83% of parity, but the prices farmers received for their canning crops averaged almost 89% of parity. The farmer's prices for none of these canning crops was less than 70% of parity at any time. On the other hand, prices of four of these major farm commodities were below 70% of parity and in one instance (field corn) the price was below 70% of parity in five of the past ten years.

Also enclosed is a composite of Dun & Bradstreet reports of profits (and losses) in the canning industry (Exhibit C). We have one comment to make about this summary: Dun & Bradstreet reports generally cover the more successful companies and thus the summary should not be interpreted as representative of the entire industry. We believe the profit (or loss) picture for the entire industry would be less favorable than is indicated by the modest profits shown in the Dun & Bradstreet reports. A review of the summaries published by the Internal Revenue Service of the tax returns for the canning and preserving industry reveals that from 25 to 50% of the firms in this industry annually show no net profit.

The enclosed tabulation (Exhibit D) which shows the "farm value" as a percentage of the retail price for major canned fruits and vegetables deserves some clarifying comments. As we have pointed out, the services which canners provide growers in the production of a raw product have been

increasing year by year. During the past two decades, the extent and value of these services have come to represent a considerable proportion of the total value of the raw product. Production services that farmers used to perform are very often performed by the canner with resulting increases in efficiency and lower production costs. The price reported by the U. S. Department of Agriculture as received by farmers for these canning crops does not always include the same production services that were represented by these prices in past years. Thus, the price per ton received by the grower may appear to be declining, or about the same as in earlier years, because the grower is no longer paid for services he used to perform. However, the net return to the grower might actually be greater. The term "farm value" is a misnomer and such prices are not strictly comparable from year to year. This fact in turn affects the percentage relationship that is commonly referred to as "the farmer's share." To the extent that canner-performed production services are reflected in earlier prices but not in recent prices, the farm value as a percent of the retail price will be unduly low.

An interesting fact is revealed in the data published by the U. S. Department of Agriculture for the three forms in which oranges are used: fresh, frozen and canned. The proportion of the retail price represented by the "farm value" is as high, or higher for the processed form than when sold in fresh form.

In further connection with the Committee's interest in the canner-grower relationships and farm to retail price spreads, we call your attention to the study made by the Gillette subcommittee in 1949 and the two studies done under your direction in 1951 and 1955. These fully objective and independent appraisals of the grower-canner-consumer relationships substantiate our contention that the canning industry should continue to be free of the threat of governmental regulation.

Sincerely,

Howard L. Stier, Director
Division of Statistics
National Canners Association

EXHIBIT A

Vegetables for Processing: Comparison of 1934 and 1960 Prices and Returns per Acre

Canning Crop	Price per Ton to Grower			Grower's Gross Return per Acre		
	1934	1960	% Change	1934	1960	% Change
Asparagus.....	\$80.00*	\$218.00	+172	\$94	\$247	+162
Beans, Lima.....	58.57	147.00	+152	41	165	+303
Beans, Green.....	41.41	110.00	+166	61	256	+320
Beets.....	10.47	20.20	+94	62	192	+210
Corn.....	8.46	19.20	+128	15	65	+334
Peas.....	50.00	86.20	+70	70	112	+48
Spinach.....	11.80*	36.20	+206	32	158	+394
Tomatoes.....	12.03	25.80	+114	47	366	+680

* 1939 earliest year available. * Two states: Calif. and Md.
Source: U. S. Department of Agriculture.

EXHIBIT B

Comparison of 1960 Season Average Prices and Parity Prices: Fruits and Vegetables for Processing and Other Farm Products

Commodity	Parity Price (price per ton)	1960 Season Average Price (dollars) (percent of parity)	Commodity	Parity Price (price per ton)	1960 Season Average Price (dollars) (percent of parity)
Fruits for Processing:			Other Farm Products:		
Apples.....	\$46.86	44.10 94	Beans, dry (edible) (cwt.)....	8.85	7.22 82
Apricots.....	116.25	85.60 74	Cotton* (lb.).....	.3850	.3006 78
Cherries, Sour.....	174.49	156.00 89	Wheat* (bu.).....	2.37	1.76 74
Cherries, Sweet.....	322.82	339.00 111	Corn* (bu.).....	1.62	1.01 62
Cranberries.....	N.A.		Milk** (cwt.).....	4.98	4.23 85
Figs.....	139.66	151.00 108	Oats (bu.).....	.849	.630 75
Olives.....	251.20	177.00 71	Soybeans (bu.).....	2.91	1.98 68
Peaches, Cling.....	76.19	55.90 73	Alfalfa (seed) (ton).....	35.50	27.20 77
Peaches, Freestone.....	65.15	45.70 70	Sugar Beets (ton).....	16.10	14.06 87
Pears.....	81.29	78.70 97	Beef Cattle (cwt.).....	23.00	20.50 89
Plums.....	62.24	78.00 125	Hogs (cwt.).....	21.30	15.40 73
Prunes.....	62.84	132.00 210	Barley (bu.).....	1.25***	.839 67
Vegetables for Processing:			Rye (bu.).....	1.47***	.903 62
Asparagus.....	250.74	218.00 87	Rice* (cwt.).....	6.02***	4.69 78
Beans, Lima.....	168.83	147.00 87	Potatoes (cwt.).....	2.46***	2.11 86
Beans, Snap.....	134.66	110.00 82			
Beets.....	23.30	20.20 87			
Corn.....	24.27	19.20 79			
Peas.....	105.00	80.20 81			
Spinach.....	48.11	36.30 76			
Tomatoes.....	30.78	25.80 84			

* Basic Commodity. ** Designated non-basic commodity. *** January, 1961.

Source: U. S. Department of Agriculture—Agricultural Prices Report.

EXHIBIT C

Fruit and Vegetable Canners: Net Profits as a Percent of Net Sales 1931-1959

Year	Net Profits % of Net Sales	Year	Net Profits % of Net Sales
1931.....	-1.51	1946	5.98
1932.....	-1.90	1947	3.82
1933.....	0.44	1948	2.36
1934.....	2.38	1949	2.15
1935.....	2.84	1950	3.91
1936.....	1.66	1951	2.86
1937.....	2.72	1952	2.53
1938.....	-0.47	1953	2.14
1939.....	2.03	1954	2.40
1940.....	2.24	1955	1.71
1941.....	3.89	1956	2.92
1942.....	3.09	1957	1.46
1943.....	2.90	1958	1.70
1944.....	2.12	1959	1.60
1945.....	2.45		

Source: Dun and Bradstreet, Inc.

EXHIBIT D

Comparison of Farm Value and Retail Price of Some Major Canned Fruits and Vegetables

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
Corn—303 can										
Retail price.....	17.8	18.8	19.0	18.2	17.1	17.0	17.2	17.7	19.3	19.2
Farm value.....	2.5	2.9	3.0	2.8	2.5	2.4	2.5	2.4	2.3	2.3
% of Retail price.....	14	15	16	15	15	13	15	14	12	12
Orange Juice—46 oz. can										
Retail price.....	—	26.9	33.9	34.9	33.9	37.5	35.4	39.8	49.7	42.9
Farm value.....	—	6.6	9.1	9.3	8.5	11.2	10.3	7.9	19.0	13.4
% of Retail price.....	—	25	27	27	25	30	29	20	38	31
Peaches—2½ can										
Retail price.....	33.7	33.8	33.8	32.8	34.1	34.8	34.6	34.2	35.5	33.0
Farm value.....	6.3	6.8	5.8	5.2	6.1	7.3	6.4	6.1	5.9	5.4
% of Retail price.....	19	20	17	16	18	21	18	18	17	16
Peas—303 can										
Retail price.....	21.6	20.9	21.3	21.4	21.5	21.5	21.5	21.1	20.4	20.7
Farm value.....	2.9	3.0	3.2	3.2	3.2	3.1	3.2	3.1	3.0	3.0
% of Retail price.....	13	14	15	15	15	14	14	15	15	14
Tomatoes—303 can										
Retail price.....	18.8*	17.0*	14.8	14.6	15.1	15.2	15.0	17.0	15.5	15.9
Farm value.....	3.0	3.4	2.6	2.4	2.2	2.3	2.4	2.3	2.3	2.3
% of Retail price.....	16	19	18	16	15	15	16	14	15	14

* No. 2 can

* * *

MR. KRAUS. We remain confident that the Committee will delete from this bill all references to canning commodities. We are submitting to the Committee some amendments which will continue to exempt agricultural commodities for canning, both from compulsory marketing orders and national marketing quotas.

And I would like leave to file with the Committee our proposed amendment.

THE CHAIRMAN. Let it be put in the record.

(Following are the amendments to S. 1643 proposed by the National Canners Association:)

On page 8, line 23, insert after the words "agricultural commodity," the words "(not including agricultural commodities for canning or freezing)".

On page 8, line 25, and page 9, line 1, strike the words "(including canned or frozen commodities or products)".

On page 16, line 4, insert after the words "naval stores" the words "Provided: that this part shall not apply to any agricultural commodity for canning or freezing."

On page 36, line 4, insert after the word "commodity," the words "(not including agricultural commodities for canning or freezing)".

SENATOR MUNDT. Did you say Congress had been requested 11 times on marketing orders?

Mr. KRAUS. That is right.

SENATOR MUNDT. How did the material upon which Congress was requested to act develop? Where did that come from?

Mr. AUSTERN. The last example, Senator, of that was some four, I cannot remember, four or five years ago. The Committee will recall when the citrus industry came in and asked Congress to authorize this authority in a far more limited form than is now before you. At that time we were privileged to appear here. We told our story. We said, "Leave us alone and we will develop the markets." Nevertheless, Congress added grapefruit for canning to the basic Act. Congress endeavored to be very fair. I believe it was this Committee that made the addition and said that in that case the canners were to have a vote. Nevertheless, no marketing order was ever put in as to the grapefruit, although there were wails and requests.

THE CHAIRMAN. That is why I have said that you folks are just assuming that the world will come to an end if we pass this act, that everything is going to the dogs. But remember, this is only enabling legislation, and

it may never be used at all. And I trust the farmers.

Mr. AUSTERN. Well, sir, I might add that in the case of grapefruit, it was the processing industry which did the job, as these charts have revealed, in expanding production and finding a market for that commodity. And this business of giving a blank check with unlimited authority, and putting us in the position of people who are simply recalcitrant objectors with no vote, paying the bill and so forth, we feel is not necessary. We have great faith that if anything ever is necessary a proposal can be made to this Committee and we can present the facts, and the Committee will act wisely.

SENATOR MUNDT. As I understand their position, Mr. Chairman, it is that while you may be exactly right, they may never vote to do anything, as business people considering the problems of do we invest more money in the plant, do we expand, they see this possibility there. It seems to me it is a peril which, understandably, they have to consider.

THE CHAIRMAN. Yes, I understand.

Mr. KRAUS. That is why we do not leave blank checks around.

THE CHAIRMAN. Thank you very much.

Mr. KRAUS. Thank you, Senator.